

Newsletter

MBG Equity Investment Fund, Inc.

Fund Manager's Report

For the month of November, shares lost 5.1% to 95.67, underperforming the PSEi TR which gained 2.2%. Since the Fund's inception, shares have lost 17.1%, underperforming PSEi TR which lost 11.8% for the same period.

The Philippine market breached the 7,400 level--the highest in 21 months on the back of improving 3Q company earnings, better than expected 3Q GDP (7.1% vs consensus expectations of 4.6%), and lower inflation despite tighter restrictions on mobility. As restrictions were gradually eased, mobility data hit new Covid-highs. Foot traffic in shopping malls is now 63% of pre-pandemic levels and is expected to improve further with the upcoming holiday season. The latest vaccine data from the government shows that about 71.8% of the Philippines' target population have already been vaccinated with at least one vaccine dose. Metro Manila recorded the highest vaccination coverage, administering at least one dose to 112% of its target population. Unemployment is further expected to decline from 8.9% in October.

World markets were rattled by the discovery of a new virus strain first identified in South Africa. Much remains unknown about the Omicron variant, including whether it is more transmissible and less susceptible to existing vaccines. As countries report cases of the new variant, the Philippines began to act quickly on travel restrictions. However, Health Secretary Duque has said the Omicron variant's entry to the Philippines is "not a matter of if, but a question of when" prompting questions of renewed lockdowns that may threaten mobility and economic recovery. The BSP is expected to maintain its accommodative given the rising cases seen in other countries, preferring to first see evidence of sustained recovery.

Our energy company continues to show signs of recovery, reporting higher consolidated revenues at P291.57 bln (+35%) for the 9-months ended September 2021 as international oil prices breached US\$ 75/barrel. While sales reached 59.2 mln barrels, slightly lower than the 59.5 mln reported for the same period last year, efforts to reduce costs have helped aid the company's sustained financial recovery. Despite mobility restrictions and intermittent lockdowns, the company was able to book P4.99B in net income in 9M21 (vs the P12.6B loss in 9M20).

Meanwhile, our home improvement and construction company reported double-digit sales growth (+22% YoY) for the Jan – Sept 2021 period. While 3Q saw a re-imposition of lockdowns and mobility curbs as infections surged as a result of the Delta variant, stores remained open, albeit on shortened operating hours. On a stand-alone basis, the company's 3Q performance improved to P3.4 bln in net sales (+9% MoM) from P3.13 bln in 2Q21. The company has maintained its expansion program, with 5 new stores opened as of end September, and remains on track to achieve its 100 store target by 2026.

While the emergence of the new variant shows how bumpy the road to recovery is, we're optimistic that mass vaccination and efforts to "live" with the virus help keep recovery on track. With that, we continue to wish for the safety of you and your loved ones and wish you a Happy Holiday!

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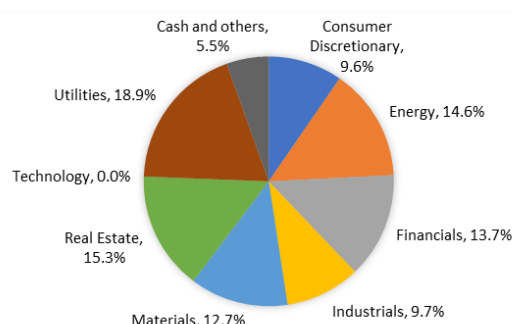
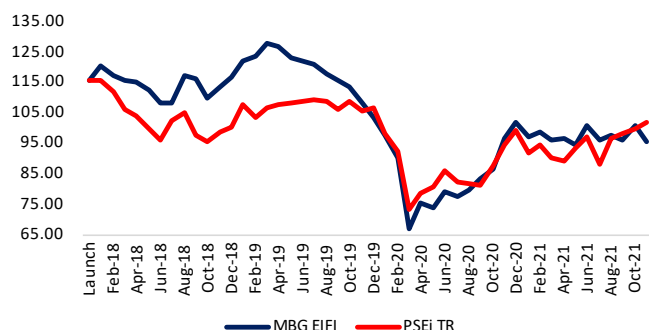
Performance MBG Equity Investment Fund, Inc. (MBG EIFI), net of all fees (in PHP)

2020	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
MBG EIFI	-4.8%	1.8%	-2.7%	0.2%	-1.7%	6.4%	-4.8%	1.5%	-1.2%	4.7%	-5.1%		-6.2%
PSEi TR ¹	-7.4%	2.8%	-4.5%	-1.0%	4.3%	4.2%	-9.1%	9.7%	0.5%	1.5%	2.2%		2.6%

¹ Philippine Stock Exchange Index Total Return;

Portfolio Characteristics

	MBGEIFI	PSEi TR
Volatility (3σ, 1-day)	+/- 2.4%	+/- 3.3%
Correlation to PSEi	0.37	1.0
Beta	0.27	1.0
Stock holdings	94.5%	100.0%
Large cap (> \$3bln)	1.0%	96.5%
Mid cap (\$500mln to \$3bln)	83.5%	3.5%
Small cap (< \$500mln)	15.4%	0.0%
Philippines allocation	99.0%	100.0%
Vietnam allocation	1.0%	Nil

Sector Allocation

MBG EIFI Performance vs. Benchmark (in PHP)


*Rescaled to 115.46 on 8 January 2018 (NAV of fund at launch date)

Class A Fund Statistics, since launch (08Jan18)

(net of all fees)	MBG EIFI	PSEi TR
Year-to-date	-6.2%	2.6%
3 months	-1.8%	5.2%
6 months	1.1%	9.3%
1 year	-0.9%	7.9%
Launch (cumulative)	-17.1%	-11.8%
Launch (annualized)	-4.7%	-3.2%
Months with gains	42.6%	55.3%
Volatility of returns p.a.	11.7%	18.2%
1-yr Sharpe ratio (RFR 6%)	-0.42	0.22

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Fund Information

Launch date	January 8, 2018
Management fee	2%
Performance fee	10% with High Water Mark
Minimum subscription	PHP 100,000
Dealing	Daily
Subscription notice	5 business days
Redemption notice	7 calendar days
Lock-up period and penalty	1 year; 5% penalty
Fund AUM	PHP 155 million
FATCA categorization/ GIIN	Registered deemed-compliant foreign financial institution under Model 1 IGA/ 6XW2RW.99999.SL.608
Investment manager	MBG Investment Management, Inc. (Licensed Investment Company Adviser) SEC C.R. No. 01-2017-00284
Custodian	Standard Chartered
Auditor	SGV & Co. (Ernst & Young Ltd)
Legal advisors	Mata-Perez & Francisco
Stock Transfer Agent	BDO Unibank
Fund Manager	Joseph Alvin C. Tan MBG Equity Investment Fund, Inc. info@mbgfunds.com www.mbgfunds.com Tel: +63 2 956 7254 Fax: +63 2 956 7065